

# Congress of the United States

Washington, DC 20515

## IGs report billions lost annually on fraud, waste, and abuse

January 15, 1999

Dear Colleague:

We recently asked the inspectors general (IGs) for 24 departments and major independent agencies to report to us on the most serious management and performance problems facing their agencies. The IG reports deserve the attention of every Member. Both individually and collectively, they paint an alarming picture of the state of management in the federal government.

Most alarming of all is the level of outright fraud, waste, and error in federal operations. Fully 22 of the 24 IG responses identified major activities within their agencies that are vulnerable to fraud and error. Some examples from their findings:

- While it is impossible to come up with the precise amount that taxpayers and legitimate program beneficiaries are cheated out of *each year*, the total is *at least tens of billions of dollars*.
- The **Medicare** fee-for-service program alone loses an astounding \$20 billion *annually* to fraud and error--an amount that exceeds 10 percent of its entire budget.
- Other programs with levels of fraud and error that approach or exceed \$1 billion *annually* include the **earned income credit (EIC)**, **Supplemental Security Income (SSI)**, and **food stamps**. False EIC claims are estimated at about \$4 billion, or 25 percent of total claims, each year. Recent audits documented millions of dollars in SSI payments to prisoners as well as food stamp benefits assigned to prisoners and deceased persons.

The IG responses also provide many examples of federal programs and activities that are simply not achieving their intended results. The ability of the **National Weather Service's** new \$550 million system to prepare accurate and timely forecasts and severe weather warnings is open to question. The **Federal Aviation Administration's** multi-billion dollar air traffic control modernization efforts are plagued by cost overruns and performance problems. The **Environmental Protection Agency** does not consistently enforce environmental regulations across the country. **Small business minority development contract dollars** are concentrated among a few participants who remain in the program for years and acquire great wealth; some of these "economically disadvantaged" participants are millionaires. The list goes on and on.

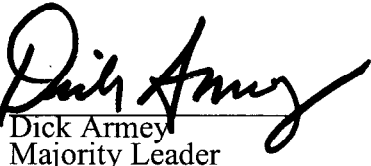
The IG responses shed light on some of the root causes of these problems. According to the IGs: 10 of the 24 agencies suffer from confused or untenable missions, obsolete or otherwise dysfunctional organizational structures, and/or staff capacity problems; 14 of the 24 exercise inadequate oversight of their grants and/or contracts; 19 of 24 have serious financial management weaknesses; and 22 of 24 have serious information technology weaknesses, which frequently include computer security risks, Year 2000 computer conversion problems, and the inability to produce reliable data to measure how the agency is performing and what results it is achieving.

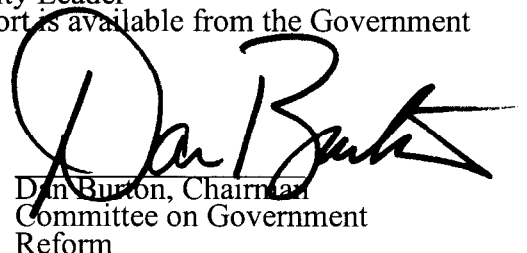
The pervasive financial management problems confronting the federal government are particularly striking. The IGs point out that many agency components, and indeed many entire departments and agencies, cannot pass a simple financial audit. Indeed, the federal government *as a whole* failed the first-ever consolidated government-wide financial statement audit last year. This audit found its books were out of balance by *more than \$100 billion*. Imagine the consequences for a private company with financial management practices and audit findings like these!

We urge every Member to examine the information compiled by the IGs. We constantly find ourselves barraged by high profile issues involving ideological and policy differences. It is all too easy to overlook everyday, nuts and bolts government performance problems that attract little public attention. Yet, coming to grips with these problems is the key to achieving some fundamental objectives that we can all agree on: eliminating waste, fraud, and error and insisting on real results for the American people in return for the tax dollars we spend.

We commend the IGs and their excellent staffs for the time and effort they invested in reporting their findings to us. The challenge for us and for the Executive branch is to *act* on these findings. Congress has recently enacted a number of tools to address government management and performance problems, such as the Government Performance and Results Act. More legislation isn't the main option. We need to use our existing tools to vigorously attack the problems. In particular, we in the Congress need to conduct vigorous oversight that will keep attention focused on these problems, keep asking tough questions about them, work cooperatively with the agencies, and hold agencies accountable until the problems are resolved.

An agency-by-agency summary of the IG reports is posted on the web sites for the Government Reform Committee (<http://www.house.gov/reform>) and the Majority Leader (<http://www.freedom.house.gov/results>). The full text of each report is available from the Government Reform Committee.

  
Dick Armey  
Majority Leader

  
Dan Burton, Chairman  
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